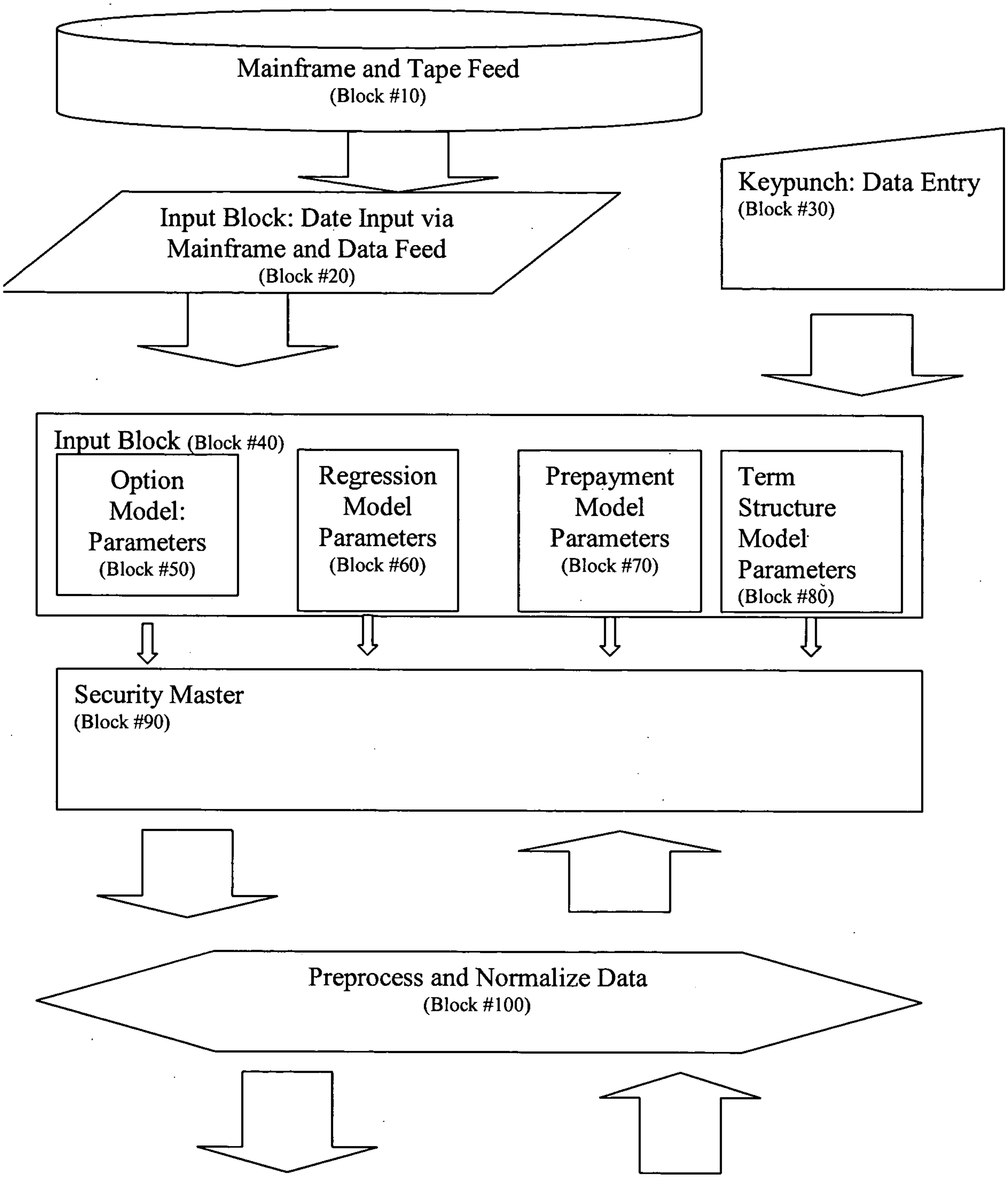
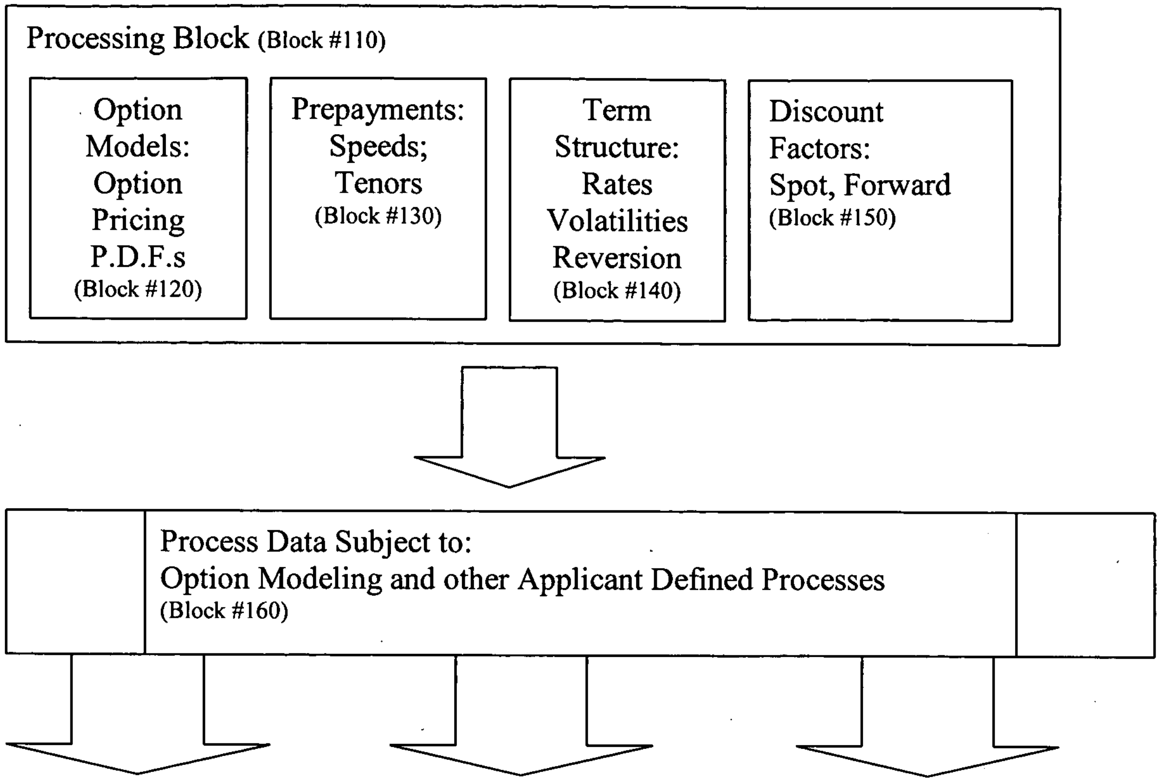

Mainframe and Tape Feed
(Block #10)
Input Block: Date Input via Mainframe and Data Feed
(Block #20)
Keypunch: Data Entry
(Block #30)
Input Block (Block #40)
Option Model: Parameters
(Block #50)
Regression Model Parameters
(Block #60)
Prepayment Model Parameters
(Block #70)
Term Structure Model Parameters
(Block #80)
Security Master
(Block #90)
Preprocess and Normalize Data
(Block #100)

FIG. 1a



Granular OUTPUT Block(Block #170)

Block

		Description
Block(#180)	Structured Loan→ Both with and without embedded option(s)	Loan Plus embedded Option → ❑ Spot as derived from PV of Path Simulations ❑ Adjusted Loan Principal→ Stand Alone ❑ Option Value RPO→ Stand Alone ❑ Option greeks ❑ Time to optimal exercise ❑ Pseudo & "Real" probabilities Option Value RCPO→ Stand Alone ❑ Option greeks ❑ Time to optimal exercise ❑ Pseudo & "Real" probabilities Option Value → Annuitized adjustment to loan rate ❑ Adjusted loan plus embedded options ❑ Transaction Costs ❑ Prepayment life ❑ Monthly payment streams and terminal payments ❑ Cost to break trade
Block(#190)	Structured Loan→ Both with and without embedded option(s)	Adjusted Loan Principal → Stand Alone Option Value RCPO→ Stand Alone ❑ Option greeks ❑ Time to optimal exercise ❑ Pseudo & "Real" probabilities Option Value → Annuitized adjustment to loan rate ❑ Adjusted loan plus embedded options ❑ Transaction Costs ❑ Prepayment life ❑ Monthly payment streams and terminal payments ❑ Cost to break trade
Block(#200)	Loan Hedges	❑ Various synthetic structures
Block(#210)	Option Hedges	❑ Various synthetic structures
Block(#220)	Financing Calculations (Repo/Dollar-Roll) versus "street"	❑ Financing Calculations ❑ Financing Hedges

FIG. 1b

		Description
Block(#230)	Capital Calculation →	❑ Capital Calculations ❑ Capital Hedges
		❑
		❑
Block(#240)	Capital Calculation → Regulatory	❑ Capital Hedges ❑ Risk Capital Weights ❑ Capital Charge ❑ Tenor Calculation ❑ VaR Calculations ❑ VaR Decomposition ❑ VaR exceedance calculations ❑ Tail Analysis ❑ Variance Reduction Calculations
Block(#250)	Debtor Credit Rating Calculation→	❑ Before and after option exercise→ Spot ❑ Before and after option exercise→ Forward
Block(#260)	Creditor Credit Rating Calculation→	❑ Before and after option exercise→ Spot ❑ Before and after option exercise→ Forward
Block(#270)	Tax Calculations →	❑ Spot/Forward Swap of Coupon or Option Fee Versus Principal Adjustment→ Annuitized Rate Change ❑ Spot/Forward Swap of Coupon or Option Fee Versus Principal Adjustment→ "bullet" adjustment
Block(#280)	Cash Call Calculation →	❑ Any required cash infusion from debtor
Block(#290)	Dynamic Underwriting Calculation →	❑ Calculation of underlying collateral value: spot ❑ Calculation of underlying collateral value: subject to forward scenario analysis
Block(#300)	Parity→	❑ Value of RAM versus alternative mortgage forms ❑ Shadow price of RAM versus replicating swaps, swaptions, other replicating portfolio ❑ Shadow price of RAM versus replicating lease ❑ Shadow price of RAM versus replicating loan or bond structure

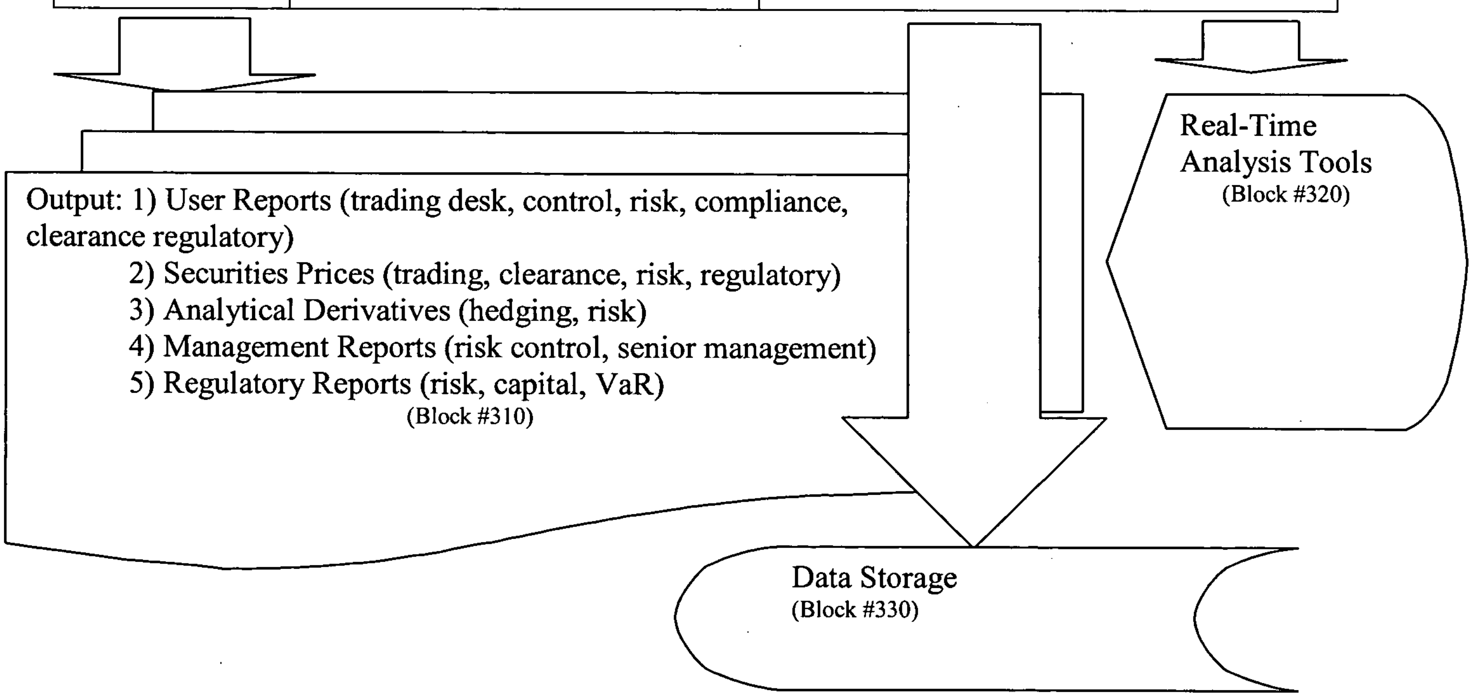


FIG. 1c